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ARIZONA CORPORATION COMMISSION

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Commissioner Jim Irvin
Commissioner William Mundell
Commissioner Jeff Hatch-Miller
Commissioner Mike Gleason
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Re: Qwest/Dex proposed transaction, Docket No. T-01051B-02-0666

Dear Colleagues and Parties:

I have carefully reviewed the record in this case, the proposed settlement and Commissioner Mundell's May 23, 2003 letter. Let me first express my approval of the parties' efforts to resolve the case on a consensual basis. I continue to strongly encourage settlement discussions in disputed matters, and in many instances a bilateral or multilateral settlement would be in the public interest.

My concern with the proposed settlement in this docket is that, based on the record, it may **not** be in the public interest. First, I share Commissioner Mundell's concern that as a temporal matter the income stream to Qwest is mismatched against the revenues to the ratepayers. Second, I find compelling the Department of Defense's contention that income tax liabilities realized **but not recognized** should not be considered in computing Qwest's economic benefit from the proposed transaction.

I would be supportive of a settlement that accommodated what I believe to be legitimate concerns and in the interests of the applicant as well as Arizona ratepayers.

Very truly yours,

Marc Spitzer
Chairman

cc: Docket Control
All parties on record